HISTORY AND BRIEF OUTLINE

OF

RENEGOTIATION

PREPARED BY THE

STAFF OF THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

FOR USE OF THE

COMMITTEE ON WAYS AND MEANS

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I. Background in Brief

The purpose of the Renegotiation Act of 1951, as declared in the opening section of that act, is to eliminate excessive profits from contracts made with the United States, and from related subcontracts, in the course of the national defense program. To accomplish this purpose the act prescribes certain factors which are to be taken into consideration in determining the excessiveness of profits, and directs that all excessive profits so determined be eliminated.

Three points in the history of renegotiation are particularly pertinent to an understanding of the present situation. First, renegotiation is an after-the-fact examination of the contractor's profit and performance on all renegotiable business in a fiscal year. Renegotiation was established in the Renegotiation Act of 1942 as a method of lowering excessive prices on a contract-by-contract basis. Renegotiation of individual contracts and subcontracts involved serious practical difficulties and also proved unfair to contractors who were not able to offset losses against profits. Overall renegotiation of profits on a fiscal year basis was provided by the Revenue Act of 1942. It has been on that pattern ever since.

Secondly renegotiation was first proposed as a wartime measure and was terminated at the end of 1945. It was in effect again during the war in Korea. The Congress has in the past, however, considered it an appropriate measure in a semimobilization period. Thus, renegotiation was applied on a limited scale from 1948 to 1951 and the broad 1951 act was extended by the Congress in 1954 and again in 1955, 1956, and 1958. Presently the act will expire June 30, 1959.

Finally, renegotiation is one of several defense profit-control measures. The formula profit limitations of the Vinson-Trammell provisions were first enacted in 1934. These provisions, now inoperative, would come into effect if renegotiation were terminated. Various price redetermination provisions used in defense contracts also serve to recapture profits.

At the present time all contracts with departments named in the act, and related subcontracts, are subject to renegotiation, except those contracts which are specifically exempt. Sales on contracts so subject must be reported to the Renegotiation Board in Washington. Such reports showing renegotiable sales under $1 million are automatically exempt. Firms with over $1 million of renegotiable sales must file a detailed information return. These returns are screened and those that are found to have no excessive profits are eliminated, and the contractor is so notified. The remaining filings are sent to the regional boards where either a specific determination of excessive profits is made or a clearance granted. These boards take into account the efficiency of the contractor, reasonableness of costs and profits, net

worth, risk assumed, contribution to the defense effort, and the nature of the contractor's business.

A contractor may have a determination of a regional board reviewed by the central board in Washington. A complete review is also available in the Tax Court. The determination by the Tax Court is final insofar as it relates to the amount of the excessive profits.

II. Outline of the Renegotiation Act of 1951 as Amended

1. Purpose of the act; section 101

The declared purpose of the Renegotiation Act of 1951 is to eliminate, as provided in the act, excessive profits from contracts made with the United States, and from related subcontracts, in the course of the national defense program.

2. Coverage of the act; sections 102, 103(a)

Except for the specific exemptions provided by section 106 all contracts with the departments named in the act and related subcontracts are subject to renegotiation on receipts or accruals after December 31, 1950, and before January 1, 1957. Contracts with other departments designated by the President under the act and related subcontracts are subject to renegotiation on receipts or accruals starting with the month following designation. By amendment approved August 1, 1956, effective December 31, 1956, the departments named in the act were reduced to the Department of Defense, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Maritime Administration, the General Services Administration, and the Atomic Energy Commission. By amendment approved September 6, 1958, the National Aeronautics and Space Administration was added to the departments.

3. Basis for determining excessive profits; section 103

A. *Overall fiscal year review.*—Excessive profits are determined with respect to the receipts or accruals of the contractor under all renegotiable contracts and subcontracts in an entire fiscal year of the contractor.

B. *Application of statutory factors.*—Renegotiable profits are determined by charging against renegotiable receipts or accruals (usually referred to as "renegotiable sales") all costs and expenses incurred by the contractor and allocable to the performance of renegotiable business. Excessive profits are that portion of such renegotiable profits which is determined in accordance with the act to be excessive. In making these determinations, the Board is required by the act to observe certain prescribed factors. Briefly stated these factors are: efficiency, reasonableness of costs and profits, net worth, risk, contribution to defense effort, character of the business, and any other factor which the Board deems equitable.

C. *Costs.*—All allowable deductions for Federal income tax purposes, to the extent allocable to renegotiable buisness, are required to be allowed as costs.

4. Renegotiation clause in contracts; section 104

The Secretary of each named department is directed to insert in each contract made by his department a provision under which the contractor agrees to eliminate excessive profits, and under which the

contractor agrees to insert the same provision in each subcontract thereunder. The inclusion of such a provision in a contract or subcontract does not necessarily mean that the contract is renegotiable. Nor does the omission of such a clause from a renegotiable contract deprive the Board of jurisdiction.

5. Renegotiation proceedings; section 105

Every contractor is required to file an annual report with respect to its receipts or accruals from renegotiable contracts and subcontracts during its fiscal year. This duty is imposed by the act upon every person who holds any such contracts or subcontracts (section 105 (e)(1)), irrespective of the amounts received or accrued therefrom during the fiscal year.

Section 105(f)(1) of the act, as originally enacted, provided that renegotiation would not be conducted with respect to the renegotiable receipts or accruals of a contractor or subcontractor unless (with the exception noted below) such receipts or accruals of the contractor or subcontractor, and all persons under control of or controlling or under common control with the contractor or subcontractor, exceeded $250,000 in a fiscal year. By amendment approved September 1, 1954, this minimum amount was increased to $500,000 with respect to any fiscal year ending on or after June 30, 1953.

For particular subcontractors (agents, brokers, etc., whose renegotiable compensation usually is derived in the form of commissions), the statutory floor is $25,000.

Section 105 provides that the proceedings shall be commenced by mailing a notice to the contractor or subcontractor. The proceeding must be commenced within 1 year after the statement is filed by the contractor or subcontractor and must be completed within 2 years after commencement. The Board is directed to reach an agreement, whenever possible, with the contractor or subcontractor with regard to the elimination of excessive profits. Where an agreement cannot be reached the Board is directed to enter an order determining the amount of excessive profits. This order is final unless an appeal is taken to the Tax Court in the manner set forth in section 108. By amendment approved August 1, 1956, only contractors with renegotiable receipts or accruals in excess of the statutory minimum are required to file. By amendment approved on the same date the statutory minimum was raised to $1 million for all years ending after June 30, 1956. By amendment approved on the same date the 1 year carry forward of losses on renegotiable business was expanded to a 2-year carry forward.

6. Exemptions; section 106

Exemptions are either mandatory, by force of the statute itself, or permissive, granted by the Board pursuant to authority vested in it by the act.

A. *Mandatory exemptions.*—The mandatory exemptions are briefly as follows:

(*a*) Contracts with political units or their subdivisions and contracts with foreign governments.

(*b*) Contracts and subcontracts for raw agricultural commodities.

(*c*) Contracts and subcontracts for minerals and timber not processed beyond the first form or state suitable for industrial use.

(*d*) Contracts and subcontracts with regulated common carriers or public utilities.

(*e*) Contracts and subcontracts with tax-exempt organizations.

(*f*) Contracts and subcontracts which the Board deems not directly connected with national defense.

(*g*) Competitive bid construction contracts and subcontracts.

(*h*) Subcontracts under the above exempt contracts or subcontracts.

(*i*) Contracts and subcontracts for standard commercial articles or services under certain conditions.

(*j*) By amendment approved August 1, 1956, effective as to fiscal year ending after June 30, 1956, a new commercial exemption was added to the act replacing the standard commercial article exemption in effect as to years ending after December 31, 1953. The amendment liberalized the standard commercial article exemption and placed it largely upon a self-applied basis.

B. *Partial mandatory exemption.*—Section 106 (*c*) of the act exempts contracts and subcontracts for new durable productive equipment, except to the extent of that part of the sales price which bears the same ratio to the total price as 5 years bears to the average useful life of such equipment. Thus if a machine has an expected useful life of 10 years, five-tenths of the sale price would be renegotiable.

C. *Permissive exemptions.*—Section 106(d) of the act authorizes the Board, in its discretion, to exempt the following:

(*a*) Contracts and subcontracts to be performed outside the continental United States or in Alaska.

(*b*) Contracts and subcontracts under which the profits can be reasonably determined when the contract price is established.

(*c*) Contracts and subcontracts with provisions which the Board considers otherwise adequate to prevent excessive profits.

(*d*) Contracts and subcontracts of a secret nature.

(*e*) Subcontracts as to which the Board considers it not administratively feasible to segregate the profits attributable thereto from the profits attributable to nonrenegotiable activities of the contractor.

7. The Board; section 107

The Renegotiation Board is created as an independent establishment in the executive branch of the Government.

The Board is composed of five members. Each is appointed by the President, by and with the advice and consent of the Senate. The Secretaries of the Army, the Navy and the Air Force, subject to the approval of the Secretary of Defense, and the Administrator of General Services each recommend to the President for his consideration one person from civilian life to serve as a member of the Board. The President designates one member to serve as Chairman.

No member of the Board may actively engage in any business, vocation, or employment other than as a member of the Board.

8. Review by the Tax Court; section 108

Any contractor aggrieved by an order of the Board determining an amount of excessive profits may file a petition with the Tax Court of the United States for a redetermination thereof. Such a petition must be filed within 90 days after notice of the final action of the

Board. The court may determine as the amount of excessive profits an amount less than, equal to, or greater than that determined by the Board. The proceeding in the Tax Court is a proceeding de novo, and the determination made by that court of the amount, if any, of excessive profits is final. The filing of a petition with the court does not stay the execution of the order of the Board unless, within 10 days, the petitioner files a good and sufficient bond.

III. Development of Price and Profit Limitation on Contracts

Although a complete history of profit limitation is not attempted for this report, an outline of the development of price and profit limitation is included.

The fundamental problem has been one of getting a fair return for each dollar spent for defense material, eliminating profiteering and strengthening the industrial mobilization base on which defense depends. War profit limitations do not reflect a stigma on the bulk of private industry, but it has been used to deal with the great price and cost uncertainties of war.

The problem of prices and profits realized from sales of defense materials to the Government is as old as the history of the Nation. General Washington in letters to the Continental Congress complained of prices and profits being charged for materials which he regarded as unfair and as jeopardizing the outcome of the Revolution, and similar complaints were made in wars preceding World War I. But the modern limitation movement assumed huge proportions as a result of that war.

Charges were made that 23,000 new millionaires were created, and the word "profiteer" came to be applied to many defense suppliers. This it appears was in part because of the failure of cost plus a percentage of cost contracting, and of the war controls and tax techniques employed in that period. At any rate, the 25 years following World War I witnessed a nationwide movement for the prevention of inordinate profits by war suppliers at unfair cost to the Government, a few instances of which should be noted.

The American Legion assumed great influence. In convention in 1922 it adopted a program of preventing profiteering in future wars and of attaining a reasonable degree of equality between the treatment of people and the treatment of capital.

Both major political parties in 1924 adopted planks relative to the use of capital, management, and facilities, in time of war, and the control of profits realized from war production.

Between the end of World War I and 1940 hundreds of bills were introduced in Congress for the elimination and control of war profits.

In 1930 the Congress authorized a Senate investigation of the munitions industry, for which the reason was given in these words:

> Whereas the 71st Congress, by Public Resolution Numbered 98 approved June 27, 1930, responding to the longstanding demands of American war veterans speaking through the American Legion are for legislation to take the profit out of war.

The War Policies Commission, of which Mr. Bernard Baruch was Chairman, concluded that restrictions such as price fixing, higher taxes, and priorities were not sufficient to prevent inordinate profits.

(A) VINSON-TRAMMELL PROVISIONS

The movement described had its influence in the series of act and amendments, known as the Vinson-Trammell provisions, to limit profits on the construction of naval vessels and Navy and Army aircraft. Although now suspended during the effective period of the Renegotiation Act of 1951, they would come into effect again if the Renegotiation Act of 1951 is discontinued unless action should be taken by the Congress to the contrary.

The first law after World War I relative to control of profits on armament was the act approved March 27, 1934 (48 Stat. 504; U.S.C. title 34, sec. 496).

Under this law, profits on contracts for naval vessels and aircraft were limited to 10 percent of the contract price. On June 25, 1936 (Public Law 804, 74th Cong.), it was amended to permit offsetting of losses on one contract against profits on another contract. This was done by applying the 10 percent profit limitation to the aggregate of the contract prices for all contracts completed by a prime contractor within the income taxable year. Also, the amendment permitted net losses of 1 taxable year to be offset against net profits of the succeeding taxable year, a carryforward of 1 year. This was later made a 4-year carryforward.

In 1936 the Merchant Marine Act provided at 10 percent limitation on profits from contracts for ships built for the Maritime Commission.

In 1939 the Vinson-Trammell Act was amended to apply the 10-percent profit limitation to contracts for naval vessels, and to apply a 12 percent limitation on contracts for Army and Navy aircraft.

All of the foregoing related to peacetime procurement. The defense period preceding World War II began in 1940. On June 28, 1940, an amendment to the Vinson-Trammell Act changed the limitation on contracts for naval vessels and for Army and Navy aircraft to 8 percent of the contract price; and applied the provisions of the Vinson-Trammell Act to subcontractors. It was also provided that profits in excess of 8.7 percent of the cost of performance would be regarded as in excess of the 8 percent limitation, except in the case of prime contracts made on a cost-plus-fixed-fee basis.

The Second Revenue Act of 1940 imposed an excess-profits tax and suspended as of December 31, 1939, the profit limitation statutes applicable to Army and Navy contracts whenever the contractor or subcontractor was subject to excess-profits tax. By reason of this suspension and the fact that the act of June 28, 1940, provided that its amendments were to terminate June 30, 1942, the 8 percent and the 8.7 percent provisions never came into operation and are not now a part of the existing Vinson-Trammell provisions.

A little noted fact was an effort at price and profit control just preceding the adoption of the first renegotiation statute in April 1942. Pursuant to the Second War Powers Act, approved March 27, 1942, the President by Executive Order 9217, issued April 10, 1942, designated the War Production Board, the War, Navy, and Treasury Departments, the Reconstruction Finance Corporation, and the Maritime Commission, as governmental agencies to inspect the plants and audit the books of any contractor or subcontractor with whom a

contract had been placed, to prevent the accumulation of unreasonable profits. Under this authority on April 25, 1942, cost-analysis sections and price-adjustment boards were established. The cost analysis sections were to conduct surveys of costs and profits incident to war contracts, and to act as factfinding agencies for the price-adjustment boards. The price adjustment boards were to assist the departments in securing voluntary adjustments or refunds whenever costs or profits were deemed excessive. It was the stated purpose of this administrative action to provide incentives to control costs, to promote efficiency, and to eliminate undue profits from contracts hastily made.

In the meantime, on March 28, 1942, the day after the enactment of the Second War Powers Act, but before the Executive order and the establishment of the machinery for cost analysis and obtaining adjustments or voluntary refunds, the Case amendment was adopted by the House of Representatives to the Sixth Supplemental National Defense Appropriation Act of 1942 to limit profits on any war contract to 6 percent of the contract price. In March 1942 the War Production Board and the War Department opposed this flat percentage profit limitation on the ground that it would impede production and would be unfair to many contractors and too generous to others.

(B) WORLD WAR II RENEGOTIATION

The Case amendment to limit profits of war contracts to a flat 6 percent of the contract price was passed by the House without debate in the Sixth Supplemental National Defense Appropriations Act of 1942. The Senate Committee on Appropriations rejected a plan offered by the Government departments embodying the voluntary system of administrative renegotiation and price redetermination under which voluntary refunds were sought. Instead the Congress by enacting section 403 of the Sixth Supplemental National Defense Appropriation Act adopted the form of renegotiation,[1] under which refunds of undue profits were to be obtained by agreement with the contractors where possible but authorizing the departments to issue orders for refund where bilateral agreements with contractors could not be made, thus rejecting a flat percentage limitation on profits from war contracts proposed in the Case amendment which had passed the House.

In its original form, section 403 referred to in subsection (b) authorized and directed—

> the renegotiation of the contract price at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty—

and in subsection (c) the withholding from the contractor or subcontractor of—

> any amount of the contract price which is found as a result of such renegotiation to represent excessive profits.

[1] Sec. 403, Sixth Supplemental National Defense Appropriation Act, 1942, approved Apr. 28, 1942 (56 Stat. 226, 245–246), frequently referred to as the First Renegotiation Act. Title VIII—Renegotiation of War Contracts, Revenue Act of 1942, approved Oct. 21, 1942 (56 Stat. 798, 982–985). Title VII—Renegotiation of War Contracts, and Title VIII—Repricing of War Contracts, Revenue Act of 1943, passed over the veto of the President Feb. 25, 1944 (58 Stat. 21, 78–93), frequently referred to as the Renegotiation Act of 1943. Both the Revenue Act of 1942 and the Revenue Act of 1943 renegotiation legislation was by amendment of sec. 403 of the Sixth Supplemental National Defense Appropriation Act of 1942, and there was added to the latter by the Revenue Act of 1943, sec. 701 (b) a subsec. (1), which provided "(1) This section may be cited as the Renegotiation Act" (58 Stat. 90). The termination date of the act was extended through Dec. 31, 1945, by an act approved June 30, 1943 (59 Stat. 294–295).

In this form, renegotiation was made to operate on the individual contract price.[2]

The Revenue Act of 1942 amended the original act to implement administrative practices of the departments and amended section 403(c)(1) to provide that—

> When the contractor or subcontractor holds two or more contracts or subcontracts the Secretary in his discretion may renegotiate to eliminate excessive profits on some or all of such contracts and subcontracts as a group without separately renegotiating the contract price of each contract or subcontract.

Thus renegotiation was made to operate on the basis of the aggregate of the receipts and accruals of all the contracts and subcontracts of the contractor.

Also, in determining the amount of the contract prices which was found as the result of renegotiation to represent excessive profits, subsection (c) (3) of section 403 provided that there should be allowed—

> the properly applicable exclusions and deductions of the character which the contractor or subcontractor is allowed * * * under the Internal Revenue Code, and a credit against any excessive profits to be eliminated for Federal income and excess profits taxes as provided in * * * the Internal Revenue Code.

The Revenue Act of 1943 by section 701 amended section 403 to provide in subsection (a) (4) (A) that—

> The term "excessive profits" means the portion of the profits derived from contracts with the departments and subcontracts which is determined in accordance with this section to be excessive—

and provided for the first time seven factors to be specifically taken into consideration.

(C) RESULTS UNDER WORLD WAR II RENEGOTIATION

Various analyses of results under the World War II law have been made, including data presented in the "Brewster Report," [3] and figures set forth in the Government's brief in the Lichter case. The latter reported results which afford a basis for approximating the impact of World War II renegotiation in respect of the dollar volume of contracts subject to, and the gross and net recoveries under, the World War II law. The figures were reported as of June 30, 1947, and cover the fiscal years 1942 through 1946.

The dollar amount of contracts subject to renegotiation for these years was reported as $190 billion, excluding contractors eliminated because of exemption or noncoverage.

Gross recoveries from renegotiation cases assigned were reported as $10,434,637,000. The dollar amount of contracts subject to renegotiation left after reduction by $10,434,637,000 of gross recoveries was $179,565,363,000.

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[2] That the Renegotiation Act of 1942 came in as a war measure was universally recognized and is too clear to need documentation. Justice Burton in delivering the opinion in the Lichter case, holding the Renegotiation Act constitutional (*Lichter* v. *United States*, 334 U.S. 742), stated:

"The Renegotiation Act was developed as a major wartime policy of Congress comparable to that of the Selective Service Act. The authority of Congress to authorize each of them sprang from its war powers. Each was a part of a national policy adopted in time of crisis in the conduct of total global warfare by a nation dedicated to the preservation, practice, and development of the maximum measure of individual freedom consistent with the unity of effort essential to success. * * * Both acts were a form of mobilization. * * * The act always has been limited in duration to a period during and shortly following the war" (*Lichter* v. *U.S.*, supra, pp. 754, 755, 771).

[3] Special Committee Investigating the National Defense Program, Rept. No. 440, 80th Cong., 2d sess.

The net recoveries, after deduction of the Federal tax credit of $7,304,246,000, representative of the amount which would have been recovered by taxes, was $3,130,391,000.

The total cost of administering the law for salaries and other expense was estimated by the War Contracts Price Adjustment Board as $41,476,000, making the net recovery amount, after deducting the administrative cost, $3,088,915,000.

Of the total gross recoveries of $10,434,637,000, recoveries by agreement with contractors amounted to $9,539,144,000, or 91.4 percent of gross recoveries, and recoveries by unilateral order for refund amounted to $895,493,000, or 8.6 percent.

(D) THE RENEGOTIATION ACT OF 1948

Between the expiration of the World War II statute, December 31, 1945, and 1948, no renegotiation statute was in effect, but the Vinson-Trammell limitation provisions again came into operation January 1, 1946.

However, effective as to fiscal years ending June 30, 1948, the Renegotiation Act of 1948 was passed in an act making supplemental appropriations for the national defense for the fiscal year ending June 30, 1948, and for other purposes (Public No. 547, 80th Cong., 2d sess., H.R. 6226).

The Renegotiation Act of 1948 was made applicable to contracts and subcontracts of the military departments, and its administration was placed under the Secretary of Defense. In the area of its operation it was based on the World War II statute and procedures. As amended it was in effect with respect to such contracts and subcontracts through 1950.

A renegotiation board was established by the Secretary of Defense for each of the military departments—the Department of the Army, Department of the Navy, and the Department of the Air Force. The determinations of these departmental boards were subject to the approval of the Military Renegotiation and Review Board.

With respect to the work of these boards not completed, the Renegotiation Act of 1951 placed the administration of this act under the independent Renegotiation Board established in the 1951 act

With the beginning of Korean hostilities, the Congress again established a system of price controls similar to those of World War II, including the excess-profits tax of 1950 and the Renegotiation Act of 1951, both of which were originated by the Committee on Ways and Means of the House and passed by the Congress.

(E) JURISDICTION

It may be observed that jurisdiction of the committee of Congress dealing with profit limitation has been divided. The Vinson-Trammell profit-limitation provisions were originated and developed in the committees of the Congress having jurisdiction of the military departments. The original Renegotiation Act of 1942 originated with the Case amendment in the Committee on Appropriations of the House of Representatives and in the Committee on Appropriations of the Senate, where section 403 of the Sixth Supplemental National Defense Appropriations Act was substituted for the House provision and be-

came the original Renegotiation Act of 1942. This act was amended and expanded in the Committee on Finance of the Senate in October 1942. In 1943 extensive hearings were held by the Committee on Naval Affairs of the House, the Committee on Ways and Means of the House, and the Committee on Finance of the Senate. The Revenue Act of 1943 made extensive amendments, originating with the Committee on Ways and Means and the Committee on Finance, which committees also originated amendments providing for termination of the World War II statute. The renegotiation statute in effect from 1948 through 1950 originated in the Committee on Appropriations of the House, and was never considered or amended as such by the tax committees of the Congress. For the first time, the tax committees in 1950 originated a renegotiation statute in the Renegotiation Act of 1951.

Net value of military procurement actions by type of contract pricing provision,[1] fiscal years 1951–58

	8-year total, fiscal years 1951–58	Fiscal year 1951	Fiscal year 1952	Fiscal year 1953	Fiscal year 1954	Fiscal year 1955	Fiscal year 1956	Fiscal year 1957	Fiscal year 1958
	Net value of actions (thousands)								
Total	$165,634,934	$21,458,131	$34,027,996	$29,285,024	$10,941,854	$13,661,308	$16,101,941	$17,997,053	$22,161,627
Fixed-price type, total	124,726,589	18,736,133	27,953,710	23,358,219	7,707,753	10,365,840	11,220,693	11,995,425	13,388,816
Firm	56,828,014	9,426,234	10,128,940	9,307,381	4,157,793	5,418,631	5,859,400	6,360,956	6,168,679
Redeterminable	33,827,070	7,206,455	13,122,675	6,368,482	639,040	1,715,573	1,596,461	1,548,113	1,630,271
Incentive	29,502,354	1,951,457	4,079,848	7,029,516	2,756,136	3,124,378	3,096,450	3,210,857	4,253,712
Escalation	4,569,151	151,987	622,247	652,840	154,784	107,258	668,382	875,499	1,336,154
Cost-reimbursement type, total	40,908,345	2,721,998	6,074,286	5,926,805	3,234,101	3,295,468	4,881,248	6,001,628	8,772,811
No fee	5,093,813	855,019	1,523,065	482,099	288,797	363,371	626,198	338,635	616,629
Fixed fee	33,073,281	1,852,046	4,509,585	4,779,868	2,606,666	2,693,335	3,887,588	5,380,975	7,363,218
Incentive fee	2,317,795			631,036	277,121	193,408	303,759	209,296	703,175
Time and materials [2]	423,456	14,933	41,636	33,802	61,517	45,354	63,703	72,722	89,789
	Percent								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Fixed-price type, total	75.3	87.3	82.1	79.8	70.5	75.9	69.7	66.6	60.4
Firm	34.3	43.9	29.8	31.8	38.0	39.7	36.4	35.3	27.8
Redeterminable	20.4	33.6	38.5	21.8	5.9	12.5	9.9	8.6	7.4
Incentive	17.8	9.1	12.0	24.0	25.2	22.9	19.2	17.8	19.2
Escalation	2.8	.7	1.8	2.2	1.4	.8	4.2	4.9	6.0
Cost-reimbursement type, total	24.7	12.7	17.9	20.2	29.5	24.1	30.3	33.4	39.6
No fee	3.1	4.0	4.5	1.6	2.6	2.7	3.9	1.9	2.8
Fixed fee	20.0	8.6	13.3	16.3	23.8	19.7	24.1	29.9	33.2
Incentive fee	1.4			2.2	2.5	1.4	1.9	1.2	3.2
Time and materials [2]	.2	.1	.1	.1	.6	.3	.4	.4	.4

[1] Includes Army, Navy, and Air Force, but excludes Armed Services Pertoleum Purchasing Agency. (Beginning Jan. 1, 1957, data for the Military Petroleum Supply Agency are included with the Navy figures.) Includes overseas procurement except for Army prior to fiscal year 1958. Excludes intragovernmental procurement. Excludes procurement actions less than $10,000 in value during fiscal years 1952–57; for fiscal year 1951, the exclusions were: Army, less than $100,000, Air Force, less than $10,000, and Navy less than $5,000. Also for the Navy Department some letters of intent (on which pricing provisions had not been determined) during fiscal years 1951 and 1952 have been omitted.

[2] Includes labor-hour contracts.

Source: Office of the Secretary of Defense, Dec. 1, 1958.

Number of military procurement actions by type of contract pricing provision,[1] fiscal years 1952–58

	7-year total, fiscal years 1952–58	Fiscal year 1952	Fiscal year 1953	Fiscal year 1954	Fiscal year 1955	Fiscal year 1956	Fiscal year 1957	Fiscal year 1958
	Number							
Total	648,346	114,993	93,125	75,596	76,589	84,333	95,441	108,269
Fixed-price type, total	579,555	109,326	87,718	68,866	68,063	73,000	81,277	91,305
Firm	499,329	94,502	72,356	59,867	60,329	63,110	70,921	78,244
Redeterminable	40,046	9,497	7,498	6,863	3,829	3,816	3,981	4,562
Incentive	15,969	592	1,239	922	2,538	2,511	3,662	4,505
Escalation	24,211	4,735	6,625	1,214	1,367	3,563	2,713	3,994
Cost-reimbursement type, total	68,791	5,667	5,407	6,730	8,526	11,333	14,164	16,964
No fee	21,743	2,191	1,905	2,413	2,794	3,371	4,321	4,748
Fixed fee	41,803	3,158	2,981	3,652	5,204	7,217	8,799	10,792
Incentive fee	977		164	222	120	146	111	214
Time and materials [2]	4,268	318	357	443	408	599	933	1,210
	Percent							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Fixed-price type, total	89.4	95.1	94.2	91.1	88.9	86.5	85.2	84.3
Firm	77.0	82.2	77.7	79.2	78.8	74.8	74.3	72.3
Redeterminable	6.2	8.3	8.1	9.1	5.0	4.5	4.2	4.2
Incentive	2.5	.5	1.3	1.2	3.3	3.0	3.8	4.1
Escalation	3.7	4.1	7.1	1.6	1.8	4.2	2.9	3.7
Cost-reimbursement type, total	10.6	4.9	5.8	8.9	11.1	13.5	14.8	15.7
No fee	3.4	1.9	2.0	3.2	3.6	4.0	4.5	4.4
Fixed fee	6.4	2.7	3.2	4.8	6.8	8.6	9.2	10.0
Incentive fee	.1		.2	.3	.2	.2	.1	.2
Time and materials [2]	.7	.3	.4	.6	.5	.7	1.0	1.1

[1] Includes Army, Navy and Air Force, but excludes Armed Services Petroleum Purchasing Agency (ASPPA). Beginning Jan. 1, 1957, data for the Military Petroleum Supply Agency (MPSA), the successor to ASPPA, are included in the Navy figures. Includes oversea procurement except for Army prior to fiscal year 1958. Excludes intra-governmental procurement. Excludes procurement actions less than $10,000 in value. Also excluded for the fiscal year 1952, are some Navy letters of intent.

[2] Includes labor-hour contracts.

Source: Office of the Secretary of Defense, Dec. 1, 1958.